



June 14, 2007

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Established in 1978 by
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Winston Hickox, Chair
CalEPA Market Advisory Committee
c/o California Environmental Protection Agency
1001 I Street
P.O. Box 2815
Sacramento, CA 95812

RE: Market Advisory Committee June 1 Report Recommendations

Dear Chair Hickox and Market Advisory Committee members,

On behalf of the Silicon Valley Leadership Group's 210 member employers, we would like to commend the Market Advisory Committee for a thoughtful, lucid analysis in their June 1, 2007 report "Recommendations for Designing a Greenhouse Gas Cap-and-Trade System for California."

The Leadership Group, founded in 1978 by David Packard of Hewlett-Packard, represents 210 of Silicon Valley's most respected employers on issues, programs and campaigns that affect the economic health and quality of life in Silicon Valley, including energy, transportation, education, housing, health care, tax policies, economic vitality and the environment. Leadership Group members collectively provide nearly 250,000 local jobs, or one of every four private sector jobs in Silicon Valley.

While the Leadership Group is still weighing the merit of different cap-and-trade system characteristics, in order to offer our feedback in a timely manner we are pleased to offer our high-level comments on the following five concepts addressed in the report.

1) Incorporate all major GHG-emitting sectors of the economy into the cap and trade program.

The Leadership Group supports market-based programs, including cap-and-trade systems. A cap-and-trade system that initially incorporates the largest direct emitting sectors, yet preserves the ability for smaller direct emitting sectors and indirect emitters to participate voluntarily in the system, seems to be a reasonable approach. We emphasize that, to function robustly, a market must be broad and deep.

2) 'First seller' approach to capping emissions associated with electricity.

A 'first seller' approach is regarded by our members as a straightforward and intuitive manner of sourcing emissions. While there are some administrative challenges to tracking GHG linked to fluctuating electricity markets, we hope that these challenges can be addressed in an effective manner to preserve and expand the ability for competitive energy markets.

3) Use a mixed approach of free allocation and auctioning of allocations (in which auctioning is phased in and increased over time)

The Leadership Group continues to discuss the tradeoffs between free distribution and auctioning of allocations. If auctioning is to be adopted, however, we agree that auction proceeds should be directed to areas that facilitate AB 32 goals, especially in regards to compliance assistance for entities needing support and to cover transition costs into the cap-and-trade system.

- 4) Allow offsets, both within and outside state borders, in a cap-and-trade program with similar policy initiatives in other jurisdictions.

Our members regard offsets as a necessary component to a cap-and-trade system to allow for expanded participation, expanded experience, and improved cost effectiveness for overall compliance. Offsets should meet performance standards as outlined in the Report (i.e. real, additional, independently verifiable, permanent, enforceable, and transparent.)

- 5) Provide linkage opportunities for a California cap-and-trade program with similar policy initiatives in other jurisdictions.

Our members consider linkage to other cap-and-trade programs to be constructive, especially if preference is given for offsets in the jurisdiction of those programs. This would ensure that the economic and environmental opportunities of offsets are encouraged locally.

The Silicon Valley Leadership Group urges your consideration of these comments and looks forward to providing more input as both our members' and the State's climate change policy decision-making process advances. Please feel free to contact us at 408-501-7864 if you have any questions.

Sincerely,

/s/
Margaret Bruce,
Director, Environmental Programs

/s/
Frank Teng
Associate Director, Environment and Energy

(submitted via email)

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